

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 7171

BILL NUMBER: HB 1145

NOTE PREPARED: Feb 18, 2013

BILL AMENDED: Feb 18, 2013

SUBJECT: State and Local Administration.

FIRST AUTHOR: Rep. Candelaria Reardon

FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: (Amended) This bill has the following provisions:

Convenience Fees: It authorizes a political subdivision or municipally owned utility to charge a reasonable fee for convenience when accepting a credit card or bank card for payments. The bill provides that a convenience fee imposed by a political subdivision or municipally owned utility on a credit card transaction may not exceed \$3, must be uniform regardless of the bank card or credit card used, and may be collected regardless of retail merchant agreements between the bank and credit card vendors that may prohibit such fees.

Rainy Day Fund Transfers: The bill provides that unused and unencumbered funds from any fiscal year and certain specified sources may be transferred to a political subdivision's rainy day fund at any time. It provides that unobligated cash balances from any fiscal year and sources not specified by statute may be transferred to the rainy day fund if the amount of the transfer is specified in an ordinance or resolution and the transfer is not more than 10% of the political subdivision's annual budget.

Publications: The bill provides that if a town publishes any of its ordinances in book or pamphlet form, no other publication is required in order for the ordinance to take effect. It provides that a town ordinance prescribing a penalty or forfeiture for a violation takes effect two weeks after the publication of the book or pamphlet.

Mobile Home Relocation: The bill provides that only the owner of a mobile home may obtain the permit required to move the mobile home from one location to another. It requires a county treasurer to notify the appropriate assessing official of the township to which a mobile home will be moved that a permit to move the

mobile home has been issued.

Department of Local Government Finance The bill requires the Department of Local Government Finance (DLGF) to develop a system for recording the property tax information for a mobile home that is not assessed as real property. It provides that the system must use an identification number that is unique to the vehicle identification number of the mobile home.

Recording and Escrow: The bill imposes recording and escrow requirements upon purchase contracts for a mobile home or manufactured home that is not assessed as real property. It provides that for assessment dates after December 31, 2013:

- (1) a contract buyer claiming the standard deduction with respect to a mobile home or manufactured home that is not assessed as real property while purchasing the mobile home or manufactured home under a contract must show compliance with the new requirements; and
- (2) an owner other than a contract buyer must attach a copy of the owner's title to the mobile home or manufactured home to the application for the deduction.

Certificate of Title: The bill specifies that a reference to a manufactured home in the certificate of title law must be construed as a reference to a mobile home.

Township and County Assessor Inspection: It provides that mobile home community registers must be open to inspection by township and county assessors. The bill requires that the registry must include a copy of the permit authorizing the movement of the mobile home or manufactured home from one location to another or authorizing a transfer of the title to the mobile home or manufactured home.

Sales Recordings: The bill specifies the information that must be submitted to the county recorder to have a contract for the sale of a manufactured home or mobile home recorded. It specifies that any applicable recording fees must be paid.

The bill requires the county recorder to provide the submitted information to the county treasurer and to notify the appropriate assessing official that such a contract has been recorded.

Library Merger: The bill provides that on January 1, 2014, the Hammond Public Library and the Lake County Public Library are merged, without any requirement that the merger be approved in resolutions adopted by the library boards of those libraries. It specifies that the Lake County Public Library is designated as the primary library that will continue to exist as a legal entity following the merger.

The bill provides that all employees, assets, property, equipment, contracts, indebtedness, and other obligations of the Hammond Public Library are transferred to and become the employees, assets, property, equipment, contracts, indebtedness, and obligations of the Lake County Public Library. It also requires the DLGF to increase the maximum property tax levy of the Lake County Public Library by an amount equal to the maximum property tax levy of the Hammond Public Library before merger.

Effective Date: (Amended) Upon Passage; July 1, 2013.

Explanation of State Expenditures: (Revised) *Mobile Homes:* The DLGF would incur additional expenses to develop a mobile home tax record system. The DLGF is already engaged in web-based data submission and database access. If the mobile home tax database can be developed as a module on an existing system, the

additional state expense could be minimal.

Explanation of State Revenues:

Explanation of Local Expenditures: (Revised) *Summary:* The bill has indeterminate fiscal impact on political subdivisions that have excess balances from prior years to transfer to the subdivision's rainy day fund. It will also have indeterminate fiscal impact on the administration of credit or bank card payments for local units. There are no data available to indicate if printing ordinances and forfeitures in book or pamphlet form will provide cost savings over the cost of publishing in newspapers.

Additional Details:

(Revised) *Convenience Fees:* The authority to charge a reasonable fee of \$3 or less, rather than the actual transaction charge or discount fee charged, could reduce complexity in administering credit or bank card payments for the political subdivision or municipally owned utility. Whether the reasonable fee offsets, exceeds, or is less than the charges incurred for accepting credit or bank card payments will vary with credit or bank card used.

(Revised) *Rainy Day Fund (RDF) Transfers:* Under current law, a taxing unit may transfer unused and unencumbered funds from local option income taxes to the RDF. Taxing units may also transfer unused and unencumbered funds from tax levies in that fiscal year to the RDF as long as the transfer doesn't exceed 10% of the total annual budget in the fiscal year.

Under this bill, a taxing unit would be permitted to transfer balances at any time and from any year to the RDF. The maximum amount of each transfer would be 10% of the total annual budget in the fiscal year, but there would be no annual limit to the number or amount of transfers.

(Revised) *Publications:* A book or pamphlet of a town's ordinances and forfeitures would constitute presumptive evidence concerning the ordinances, their adoption date, and that they have been properly signed, attested, recorded, and approved. Potentially, this evidence could avert a challenge to the validity of a town's ordinances. However, the fiscal impact of this provision is indeterminate.

(Revised) *Mobile Homes:* The provisions in the bill could increase the collection rate for property taxes on manufactured homes. There are about 121,000 manufactured homes in the state with an annual net tax of about \$10 M.

Under current law, either the owner or the occupant of a manufactured home may obtain a permit to move the home. The county treasurer may issue the permit only if the taxes due on the mobile home have been paid. This bill would allow only the owner, and not the occupant if different from the owner, to obtain a permit.

Under this bill, a purchase contract for a manufactured home must specify the responsible party for property tax payments and it must be recorded by the county recorder. If the buyer is responsible for taxes, the contract must provide for an escrow account to be held by the seller. Property tax would be paid from the escrow account.

Regarding mobile home contract purchases, new applications for the homestead standard deduction that are

filed for taxes payable beginning in CY 2015 would not be approved unless the parties comply with the new requirements for contracts. The applicant would have to provide to the county auditor, information necessary for the auditor to receive property tax payments from the escrow account.

(Revised) *Library Merger*: Under this provision, the Hammond Public Library would be merged into the Lake County Public Library on January 1, 2014. All assets, employees, and debts would be transferred to the Lake County Public Library. There would be no change to the makeup of the Lake County Public Library Board.

The 2014 Lake County Library levy would be increased by the amount of the 2013 Hammond Library levy plus an increase at the applicable levy growth factor. In Lake County the levy increase factor is zero if the county has not adopted a 1% local option income tax for property tax relief. So, unless the county adopts a LOIT in 2013, then the levy would be transferred without any increase.

The 2012 Hammond Library total levy, including lease rental, was \$4,824,351 and the tax rate was \$0.2236 per \$100 AV. The Lake County Library total levy, including debt service, was \$11,672,809 and the tax rate was \$0.1035. The Lake County Library levy would increase by \$4.8 M and the assessed value would increase by \$2.15 B. If the libraries were combined in 2012, the new tax rate would have been \$0.1228. The taxpayers in the old Lake County Library area would see a tax rate increase of about \$0.02 and the taxpayers in the old Hammond Library area would see a tax rate reduction of about \$0.10.

The change in tax rates would have an effect on circuit breaker losses. Circuit breaker credits could increase slightly for taxpayers in the old Lake County library area who are at the tax caps. Circuit breaker credits could decrease for taxpayers in the old Hammond library area who are at the tax caps. The change in circuit breaker losses would affect all taxing units that intersect with these two libraries.

Background: Convenience Fees: Under current law, the fee may not exceed the transaction charge or discount fee charged to the political subdivision or municipally owned utility. As a result, the transaction charge or discount fee should vary for each transaction based on the credit or bank card used, and it should offset incurred costs.

Under the bill, a political subdivision or municipally owned utility could either have a different charge for each transaction or could set a reasonable fee of \$3 or less. A reasonable fee may apply to all transactions, depending on the decisions of the political subdivision or the municipally owned utility. Assuming a uniform fee and depending on the retail merchant agreements, on each individual transaction the political subdivision or municipally owned utility would offset its costs, or change more or less than the cost of the transaction.

(Revised) *Background - Mobile Homes*: Homesteads receive a property tax standard deduction worth 60% of AV up to \$45,000 and the supplemental standard deduction worth 35% on the first \$600,000 of net AV after the standard deduction plus 25% of the net AV that exceeds \$600,000. The aged, blind/disabled, and veterans property tax deductions may also apply. In addition, homestead property is subject to a 1% circuit breaker cap. Nonhomestead residential property does not qualify for these deductions and is subject to a 2% circuit breaker cap.

Explanation of Local Revenues:

State Agencies Affected: Department of Local Government Finance.

Local Agencies Affected: Political subdivisions; towns; and municipally owned utilities; County auditors; County treasurers; County recorders.

Information Sources: LSA property tax database.

Fiscal Analyst: Karen Firestone, 317-234-2106; Bob Sigalow, 317-232-9859.